



# HOW THE H&R BLOCK BUDGET CHALLENGE MEETS THE COUNCIL FOR ECONOMIC EDUCATION (CEE) NATIONAL STANDARDS FOR FINANCIAL LITERACY

## WHAT ARE THE CEE STANDARDS FOR FINANCIAL LITERACY FOR PERSONAL FINANCE?



The CEE Standards for Financial Literacy provide a framework for teaching personal finance in kindergarten through 12th grade. The H&R Block Budget Challenge addresses both the “spirit” of the standards (creating financially literate students who are able to take responsibility for their economic well-being) and the “letter” of the standards (targeted questions on flagged subject matter). H&R Block believes that focusing on both dimensions yields far superior results for students because learning by doing builds knowledge as well as skill.

Students who master knowledge embodied in the standards should be able to avoid making poor financial decisions, understand the economic reasons behind the trade-offs between financial choices, and know the basis for their own decisions. The standards contain areas of knowledge and understanding that are fundamental to personal finance.

## “SPIRIT” OF THE STANDARDS



The H&R Block Budget Challenge is a teacher-tested, online simulation tool that replicates real-world budgeting and personal finance decision-making. By simulating an adult’s financial life – paying bills, investing in retirement, managing loans and more – students take a personal finance “road test.” This learn-by-doing educational approach allows high schoolers to make real-world mistakes without facing real-world consequences.

## “LETTER” OF THE STANDARDS



The H&R Block Budget Challenge contains six separate quizzes that are built to match up with all six Council for Economic Education National Standards for Financial Literacy. Quizzes are integrated within the simulation such that correctly answered questions award students with points toward an overall score.



## THE BUDGET CHALLENGE APPROACH



The H&R Block Budget Challenge teaches not only financial principles, but practical personal finance behaviors, knowledge and skill. The real-time simulation exposes students to the nuts and bolts of receiving a paycheck, paying bills and maximizing savings within a typical household budget – allowing them to understand the consequences of financial decisions in a safe environment, without real money at stake. By combining the patented simulation with standards-aligned quizzes, students produce real financial habits, knowledge and confidence.

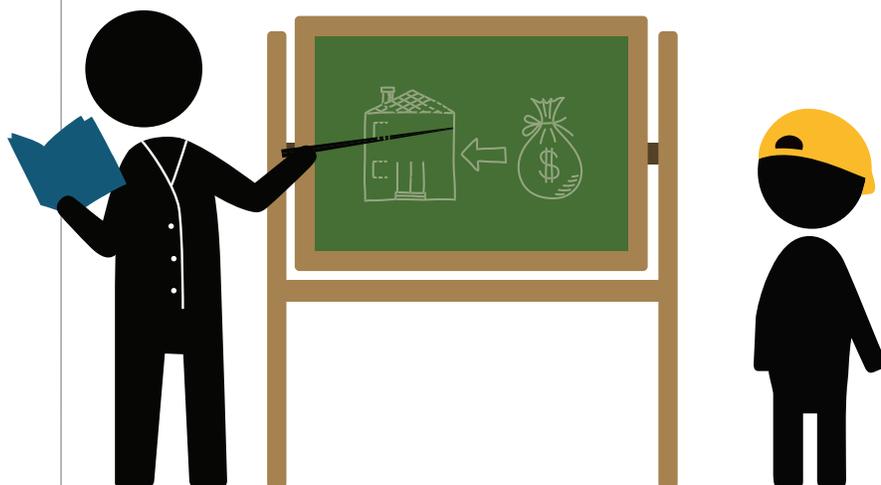
## FOR MORE INFORMATION



Learn more about the Council for Economic Education National Standards for Financial Literacy at:

<http://www.councilforeconed.org/resource/national-standards-for-financial-literacy>

<http://www.councilforeconed.org/wp/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>





## 1 EARNING INCOME



# MEETING THE SPIRIT & LETTER OF THE NATIONAL STANDARDS



### THE STANDARDS:

1. People choose jobs or careers for which they are qualified based on the income they expect to earn and the benefits, such as health insurance coverage or a retirement plan, that they expect to receive.
7. Taxes are paid to federal, state and local governments to fund government goods and services and transfer payments from government to individuals. The major types of taxes are income taxes, payroll (Social Security) taxes, property taxes and sales taxes.
8. People's sources of income, amount of income, as well as the amount and type of spending affect the types and amounts of taxes paid.

### HOW WE APPLY STANDARD:

- Students identify sources of income on simulated paychecks including salary, bonus pay and 401(k).
- Students experience how federal withholdings, Social Security, Medicare, state tax and 401(k) deductions affect take-home pay.
- Paychecks show breakdown of gross income, federal and state taxes, Social Security and Medicare.
- Pay raises include a salary increase and bonus to illustrate differences.



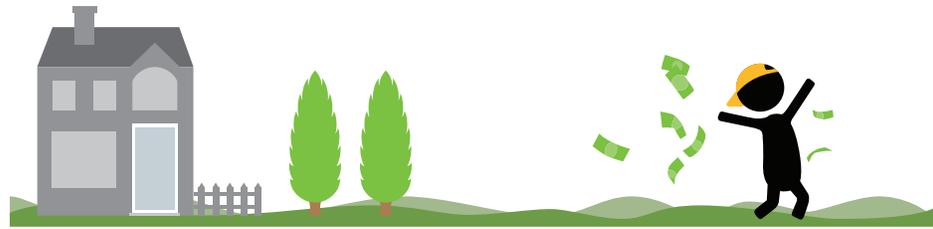
### BUDGET CHALLENGE QUIZ: INCOME AND CAREERS

## 2 BUYING GOODS & SERVICES



### THE STANDARDS:

1. Consumer decisions are influenced by the price of a good or service, the price of alternatives, and the consumer's income as well as his or her preferences.
3. When buying a good, consumers may consider various aspects of the product including the product's features. For goods that last for a longer period of time, the consumer should consider the product's durability and maintenance costs.
4. Consumers may be influenced by how the price of a good is expressed.
7. Governments establish laws and institutions to provide consumers with information about goods or services being purchased and to protect consumers from fraud.



## HOW WE APPLY STANDARD:

Terms and conditions for contracts for all of the vendors in the simulation are provided.

- Students use this information to make product selections and create a budget.
- Students have access to their individual financial account activity information.
- They use this information in their decision-making process during the game.
- Choices for checking account types give students the opportunity to think about their current financial position when selecting their financial vehicle. Minimum balances, free checking, interest-bearing accounts and overdraft protection are among features included.
- Students evaluate the terms and conditions and compare contracts to consider alternatives and consequences prior to making vendor selections.
- Students consider high-end warranty protected smartphones vs. low-end non-warranty protected basic phones.
- Students make a credit card product choice based on information from the Schumer Box (required by law).



**BUDGET CHALLENGE QUIZ:** FINANCIAL RESPONSIBILITY AND DECISION-MAKING

## 3 SAVING



## THE STANDARDS:

1. People choose between immediate spending and saving for future consumption. Some people have a tendency to be impatient, choosing immediate spending over saving for the future.
8. Employer benefit programs create incentives and disincentives to save. Whether or not an employee decides to save (and how much) can depend on how the alternatives are presented by the employer.

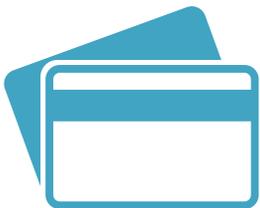


### HOW WE APPLY STANDARD:

- Aside from bills and contingency funds, students must save for retirement to score points.
- Savings into the 401(k) are only allowed through a direct pay-check contribution.
- Tax benefits of saving into the 401(k) are applied.
- Contribution percentage is adjustable for each paycheck.



## 4 USING CREDIT



### THE STANDARDS:

1. Consumers can compare the cost of credit using the annual percentage rate (APR), initial fees charged, and fees charged for late payments or missed payments.
12. Consumers who use credit should be aware of laws that are in place to protect them. These include requirements to provide full disclosure of credit terms such as APR and fees, as well as protection against discrimination and abusive marketing or collection practices.

### HOW WE APPLY STANDARD:

- A credit card in the simulation houses daily types of purchases.
- A monthly range of expenses is provided for budgeting purposes.
- Participants learn about minimum payments, finance fees, credit limits and using credit properly.
- Through the leaderboard score, real-time feedback encourages fiscally responsible behavior.
- Students make a credit card product choice based on information from the Schumer Box (required by law).



## 5 FINANCIAL INVESTING



### THE STANDARDS:

2. Federal, state and local tax rates vary on different types of investments and affect the after-tax rate of return of an investment.
6. Shorter-term investments will likely have lower rates of return than longer-term investments.

### HOW WE APPLY STANDARD:

- Students make an automatic deduction choice to contribute to a 401(k), based in part on the impact of take-home pay and tax implications.
- Interest accrues on 401(k) savings, showing how saving early in the game is better.



### BUDGET CHALLENGE QUIZ: PLANNING AND MONEY MANAGEMENT

## 6 PROTECTING & INSURING



### THE STANDARDS:

2. Individuals vary with respect to their willingness to accept risk. Most people are willing to pay a small cost now if it means they can avoid a possible larger loss later.
3. An insurance contract can increase the probability or size of a potential loss because having the insurance results in the person taking more risks. Policy features such as deductibles and co-payments are cost-sharing features that encourage the policyholder to take steps to reduce the potential size of a loss (claim).
10. Property and casualty insurance (including renters insurance) pays for damage or loss to the insured's property and often includes liability coverage for actions of the insured that cause harm to other people or their property.



### HOW WE APPLY STANDARD:

- Insurance products include auto, renters and cell phone insurance.
- Participants learn the difference between premiums and deductibles.
- After budgeting for short-term bills, students calculate how much they need in a contingency fund.
- There is an opportunity to purchase a mobile phone with a warranty.



### BUDGET CHALLENGE QUIZ: RISK MANAGEMENT AND INSURANCE

